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Australia

Trade Policy Monitoring

Wheat Single Desk Developments

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Report Highlights:

Australia's single desk for wheat has been the topic of considerable public debate, both in the press and within the domestic grain industry. An Australian Senate Committee has recently called for significant changes in legislation regarding the operations of the single desk. The Minister for Agriculture is resisting the need for these changes.

Includes PSD changes: No
Includes Trade Matrix: No
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WHEAT SINGLE DESK DEVELOPMENTS

The Australian Senate is considering legislation, the Wheat Marketing Amendment Bill 2002, that makes changes in current legislation (Wheat Marketing Act 1989, as amended) to provide for a funding mechanism for the operational costs of the single desk exporter of the Australian wheat crop – the Wheat Export Authority (WEA). Specifically, the Bill would provide for a levy on all wheat exports to fund the WEA, which is projected to run out of funds by September 2003. The Bill also includes provisions to make minor variations to export consents (for bagged and container wheat) and to strengthen the WEA's powers to monitor compliance by exporters under export consents. A Senate Committee, which reviewed the Wheat Marketing Amendment Bill 2002, has now recommended changes in single desk arrangements well beyond the WEA funding issue and those matters addressed by the Wheat Marketing Amendment Bill.

The WEA's primary roles are to control the export of wheat from Australia, monitor the performance of AWB International (AWBI), and to conduct a review of AWBI's use of its export rights before the end of 2004. The WEA was established in July 1999 following the restructuring of the former Australian Wheat Board. Under the restructuring, the Commonwealth's wheat marketing and selling role was transferred to an independent grower-owned company -- AWB Ltd. AWB Ltd. has the rights to the bulk wheat export monopoly, with AWBI, a wholly-owned subsidiary of AWB Ltd., managing the single desk wheat export arrangements.

In a separate development, on June 19, 2003, the Australian High Court rejected an appeal by an Australian trading company that was refused permission to export bulk wheat. The High Court effectively backed AWBI's right to refuse others permission to export bulk wheat. By a majority decision, the Court rejected an appeal by NEAT Domestic Trading, which was refused permits for bulk wheat exports a total of six times between November 1999 and February 2000.

Australian Senate Review

The Senate Rural and Regional Affairs and Transport Legislation Committee, that reviewed the provisions contained in the Wheat Marketing Amendment Bill 2002, issued their summary findings and recommendations on June 18, 2003. The Committee expressed concerns about existing export control arrangements and specifically recommended that WEA be allowed to approve bagged and container wheat exports, without AWBI intervention. Currently, WEA must receive AWBI's prior approval for such exports, thus giving AWBI a virtual veto over these shipments. The Committee's findings are expected to be discussed in the Senate as early as June 25, 2003.

The Committee recommended other significant changes and additions to the Wheat Marketing Amendment Bill, specifically:

- an amendment to provide for only a one-year levy on export wheat to fund the WEA;
- an amendment to eliminate doubts regarding the powers of the WEA to obtain information from AWB Ltd. and AWBI;
- that a study be commissioned to examine and propose an alternative means of conducting the upcoming review (before 2004) of AWBI; and

- that the WEA be provided with details of the commercial relationship and the non-contestable services provided by AWB Ltd. to AWBI.

The Committee also noted that during the course of their inquiry, the question arose as to whether they should make findings and recommendations affecting the future of the current single-desk exporting arrangements established by the Wheat Marketing Act. The Committee's position was that the continuing operation of the single desk export arrangements operated through AWBI was outside the terms of the reference of the Committee's inquiry into the Bill.

The Review of the Single Desk

According to the Committee, a great deal of compelling evidence was heard that "growers and industry participants have developed an understandable degree of unease and skepticism as to the functioning of the oversight role ... of the WEA, AWBI and AWB Ltd." As such, the Committee recommended that the Minister for Agriculture, Fisheries and Forestry immediately commission an appropriate body or person with the necessary knowledge and skills and who is familiar with the current single desk export mechanism for Australian wheat to examine and propose an alternative means by which the review of the single desk export role of AWBI to be conducted. Under current legislation, the WEA is conduct a review of AWBI's use of its export rights before the end of 2004.

Current Export Consent System

A revised export consent system for wheat exports has been in place since January 2002. Under this system, there are two types of applications for bagged and containerized wheat. A "Long Term" export consent applies for a 12-month period and must meet the "niche market criteria". To qualify for "niche market", the WEA must determine there will be no or minimal likelihood that the export will adversely affect AWBI's sales, premiums or export marketing strategies. A "Short Term" export consent applies for a three-month period. The Wheat Export Act, in Section 57, requires that WEA consult with AWBI prior to issuing any consents for bagged and containerized wheat. Consents for bulk wheat exports must be approved in writing by AWBI.

According to the Senate Committee report, in 2001/02 the WEA received 537 export consent applications and approved 401 for a total of about 680,000 metric tons of wheat. During calendar year 2002, AWBI supported applications for 133 consents, representing about 140,000 metric tons. In 2001/02, 230,484 metric tons of wheat was exported in bags and containers, which is inclusive of exports by AWBI. The bulk of this wheat was shipped to Bangladesh, Burma, New Caledonia, New Zealand, Papua New Guinea and Vietnam.

Reaction to the Committee Review

In press reports, the Minister for Agriculture, Fisheries and Forestry Australia, WarrenTruss, reportedly argued that the partial deregulation of wheat exports as recommended by the Senate Committee would amount to the "beginning of the end of the single desk by stealth." In a June 23, 2002, press release from the Minister's office, he reiterated that the purpose of the Wheat Marketing Amendment Bill is about the funding of the WEA and not about the continuance of

the single desk.